



Institute for
European
Environmental
Policy

Trinomics 



WAGENINGEN
UNIVERSITY & RESEARCH

Incentivising climate action for a sustainable and competitive agri-food value chain

Workshop 2: effectiveness

Tuesday 12th of November 2024

Study for the European Commission - DG CLIMA

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- 9:15-9:20 Welcome by the European Commission
- 9:20-10:00 Presentation by the Consortium (incl. Q&A)
- 10:00-11:00 Plenary discussion on the role of the agri-food sector in light of EU climate objectives
- 11:00-12:30 Break-out sessions
- 12:30-14:00 Lunch break
- 14:00-15:30 Presentations of discussions from breakout sessions and plenary discussion
- 15:30-15:45 Closing remarks (EC and Consortium)

Recording of the workshop:

- Morning presentation by the Consortium recorded (until 11:00)
- Breakout sessions and afternoon plenary NOT recorded

GDPR rules:

- We will maintain a list of the participating organisations and use it for reporting purposes and information on the website.

Participation and rules of engagement:

- One-person limit
- Breakout room assignment
- Raise your hand if you wish to speak and only unmute yourself once you have been given the floor by the moderator
- Please state your name and affiliation when you intervene

Use of the chat function:

- For comments or questions
- Please, prioritise asking content-related questions orally as these will be answered immediately and make the discussion more lively

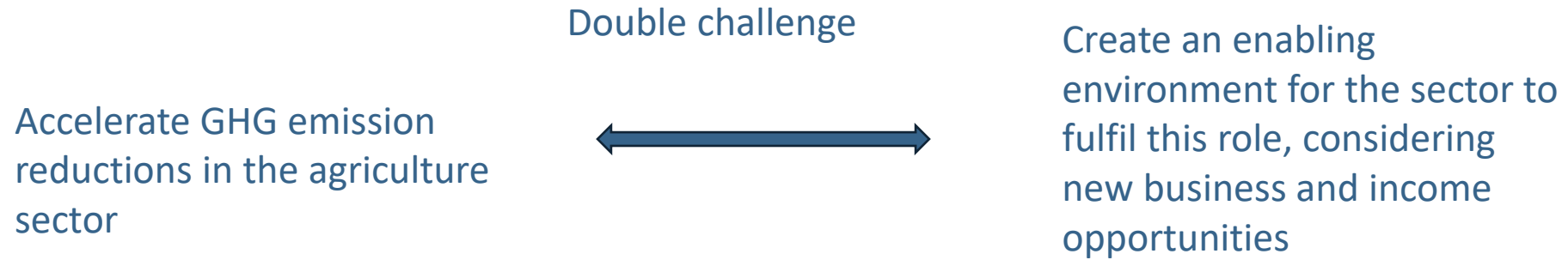


Welcome and introduction to the project (EC)



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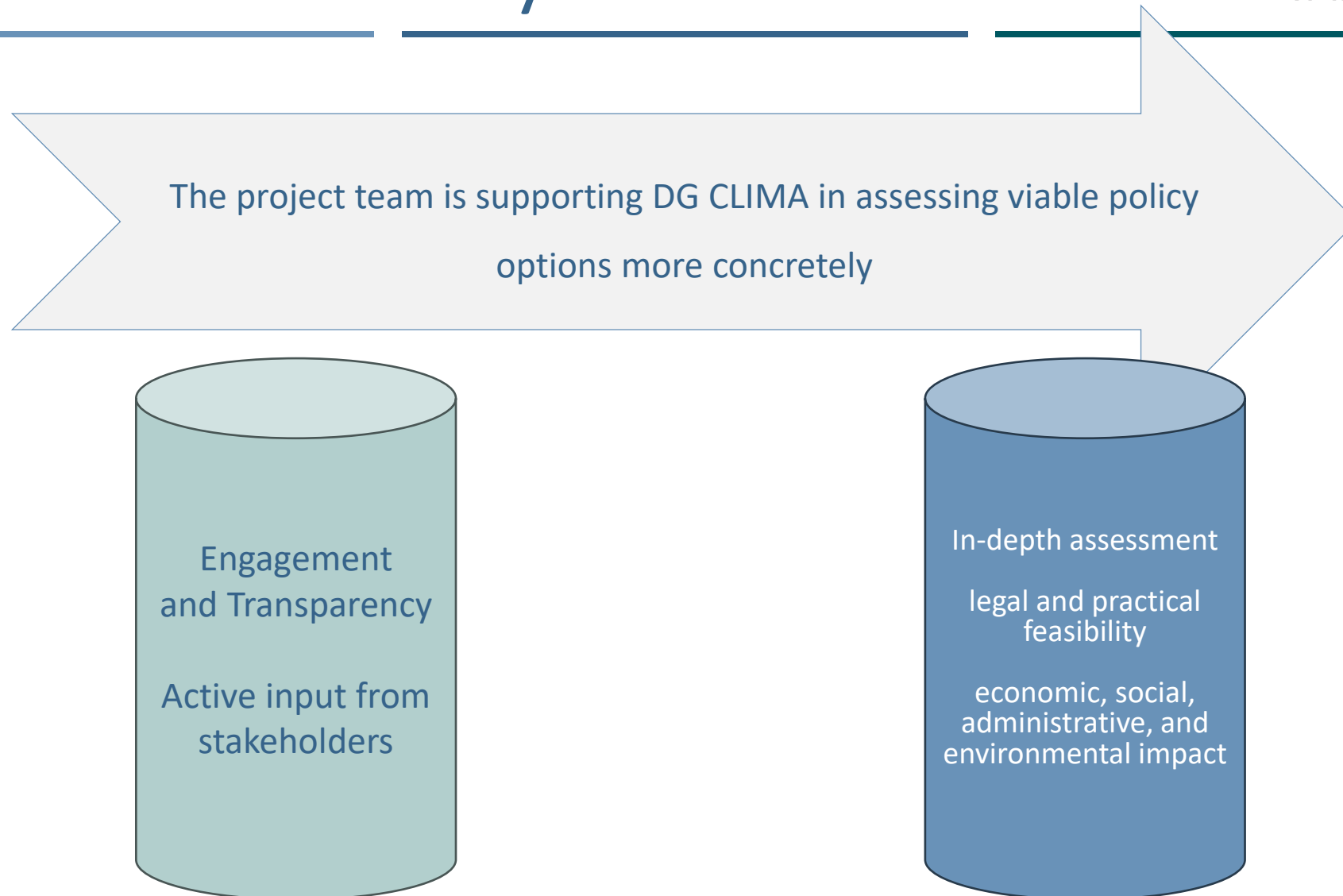
Presentation by the Consortium



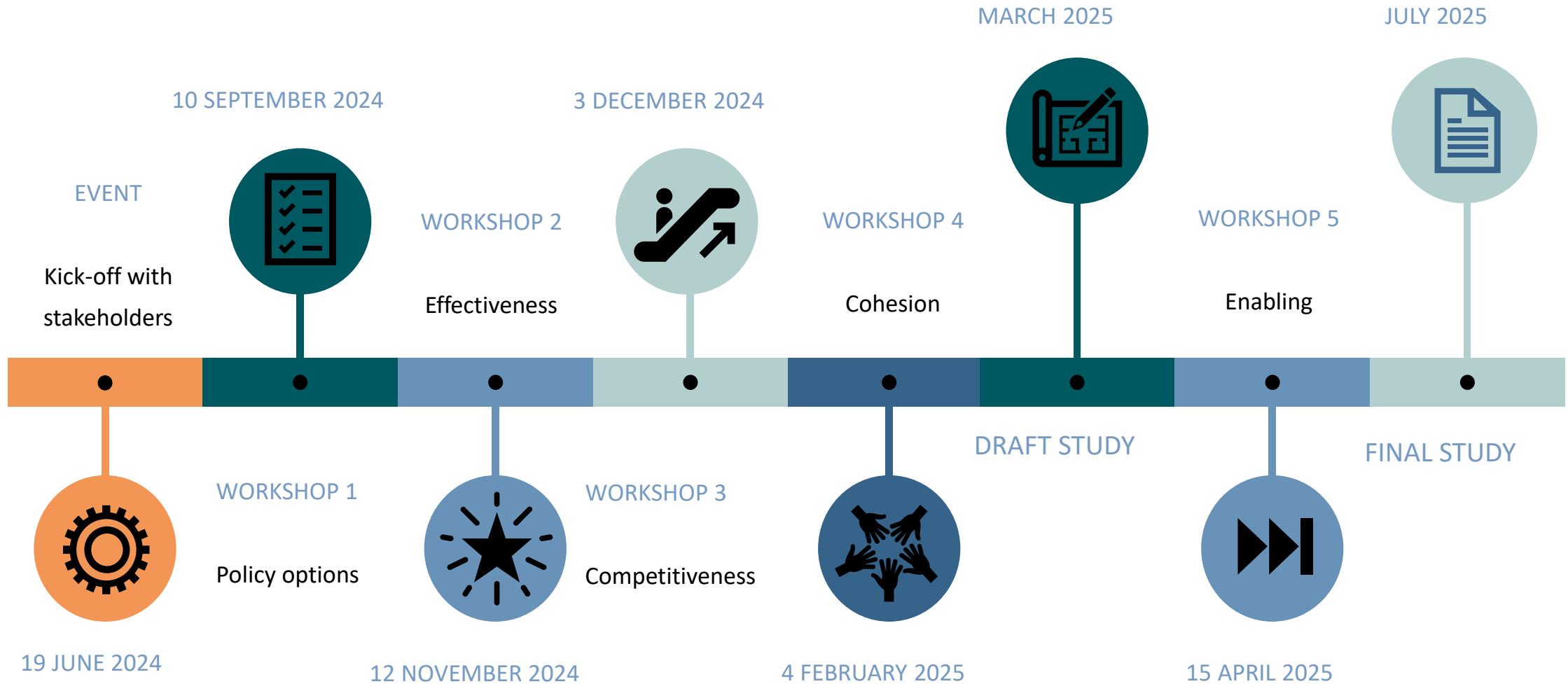
Aim of the study

Contribute to a better understanding of policy options for sustainable climate action across the agri-food value chain and the impacts on competitiveness, farmer income and consumer prices.

Purpose of the study



Study Timeline

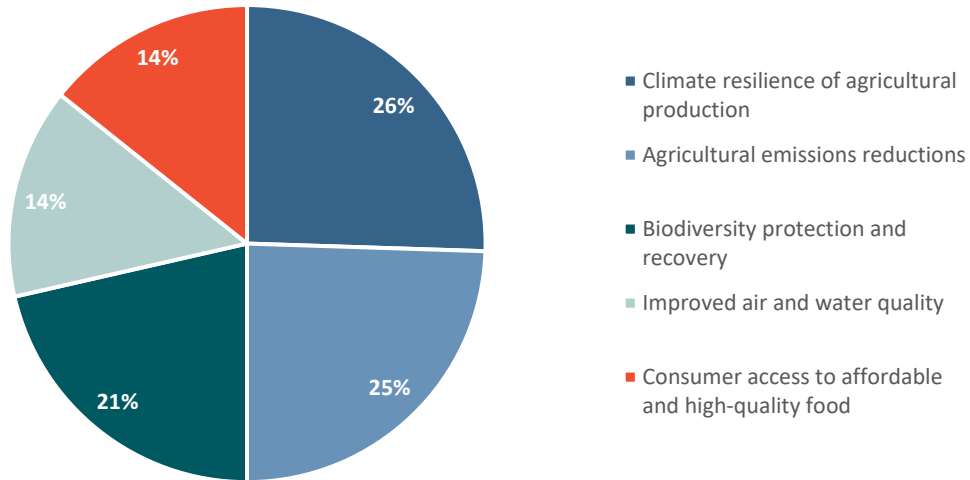


Workshop 1 – policy options (online, 10 September 2024)

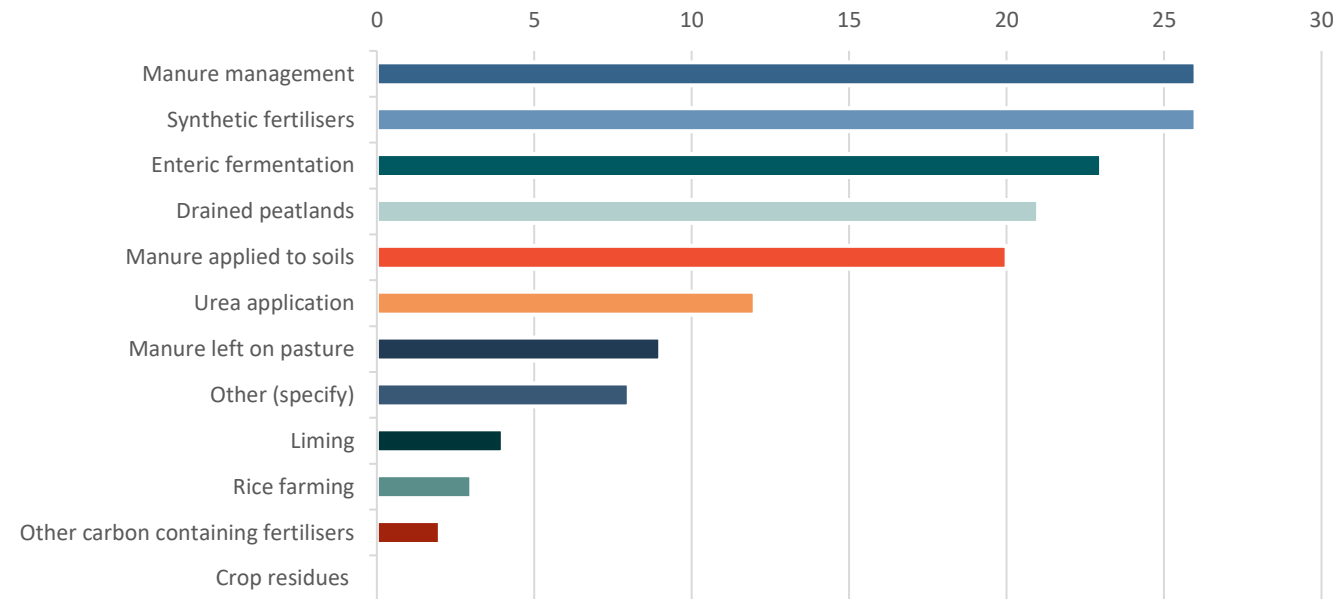
- 44 participants
- 29 worksheets
- Website with project information: [Carbon Removals and Carbon Farming - European Commission](#)

Feedback: key priorities and emission sources

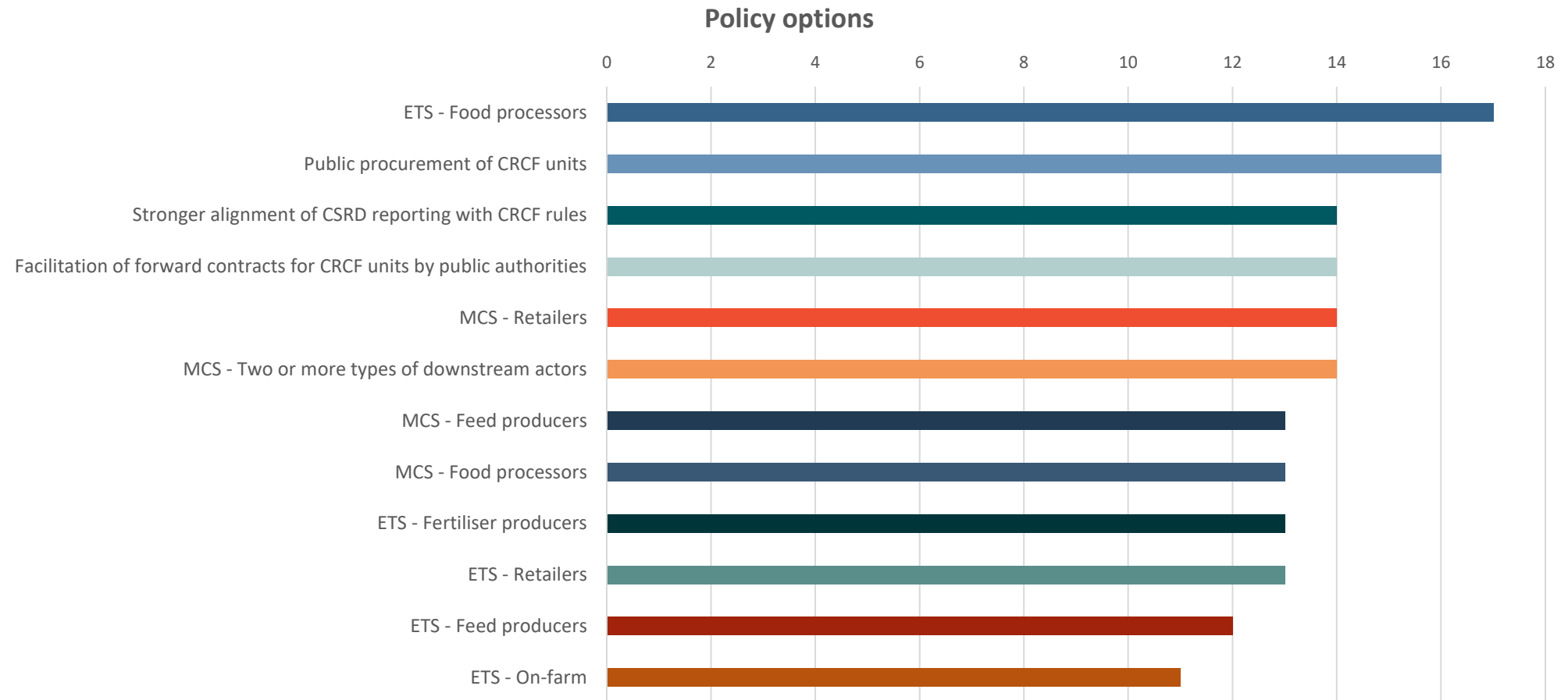
Key priority objectives



Emission sources

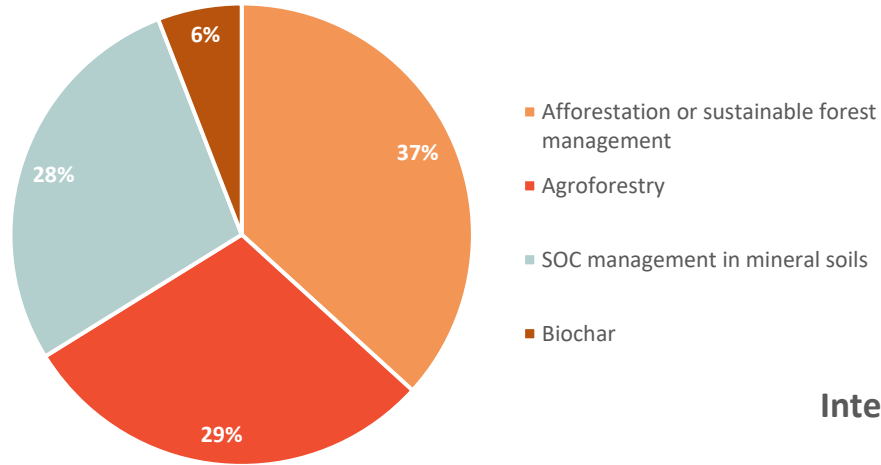


Feedback: policy options

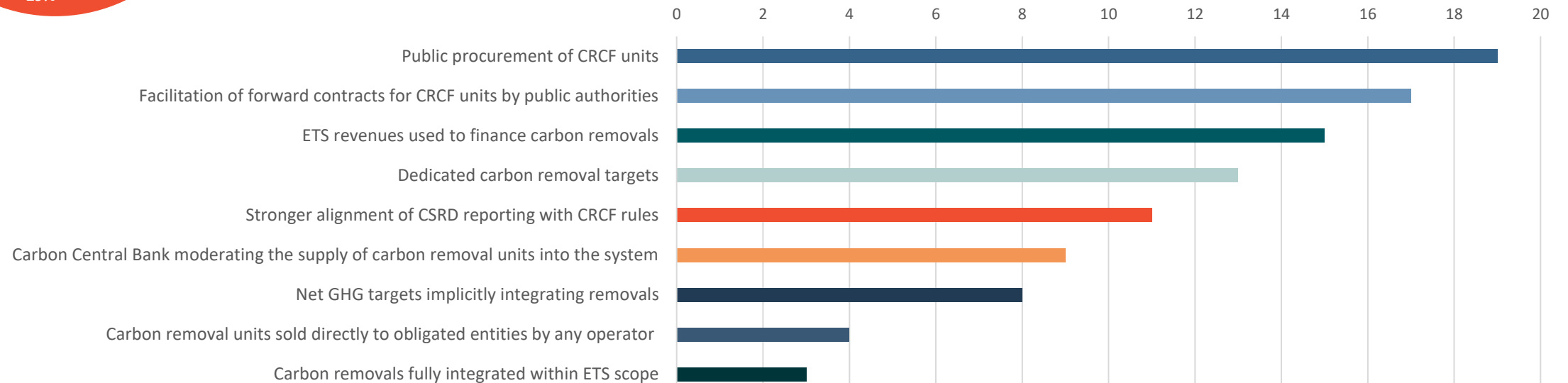


Feedback: nature-based removals

Nature-based carbon sequestration options



Interaction – emission reductions regulation and removals



5 policy options for assessment

Carbon Farming Procurement

Foster an EU market on CRCF units (generation and purchase of CRCF units)

Mandatory Climate Standards

Feed producers and/or food processors

Retailers and/or other actors downstream (e.g. caterers)

Agri-food ETS

Feed producers and/or food processors

On-farm



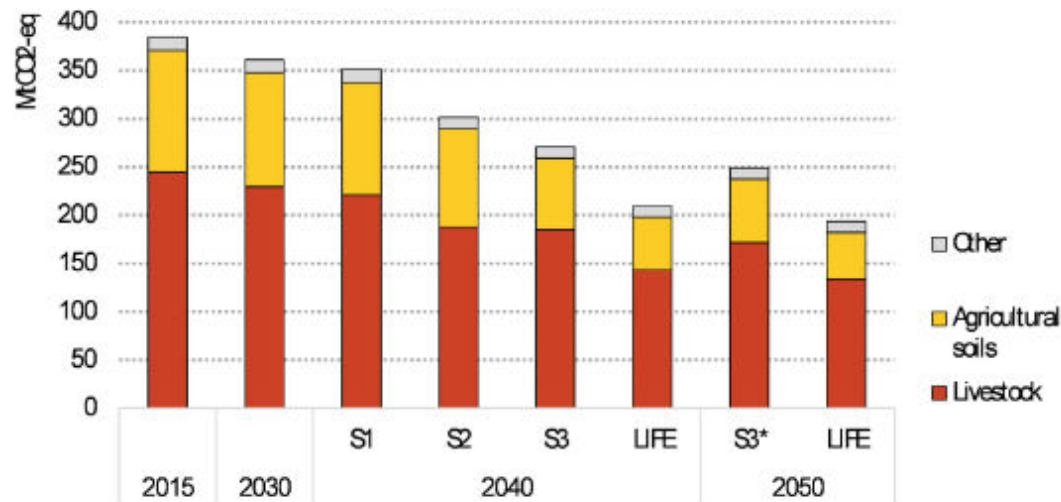
Workshop 2 - Effectiveness

Design options for agri-food climate solutions to be effective in achieving sustainable GHG reductions and increasing carbon removals

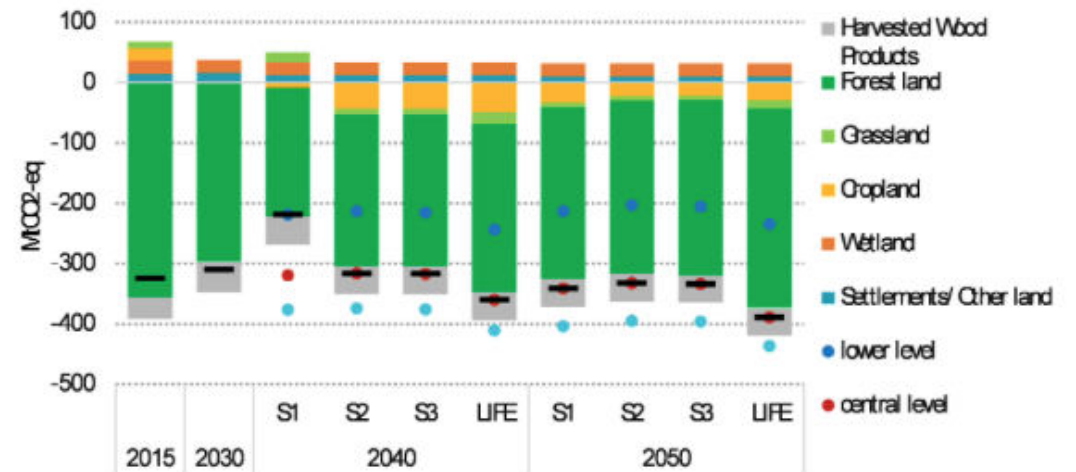
Background Paper Presentation

Contribution of agriculture to the 2040 target

Agricultural emissions



LULUCF emissions and removals



Mitigation Strategies Across the Value Chain



Policy Options & Effectiveness

Carbon Farming Procurement

Effective minimum price for on-farm mitigation actions

Uncertainty in supply of CRCF units

Consider: supply of specific categories of CRCF units

Mandatory Climate Standard

Provides predictability in setting climate objectives

Lack of revenue generation to reinvest in mitigation technologies

Consider: implications of MRV choices on effectiveness

ETS

Highly effective as a standalone climate measure

Limits in incentivising large-scale transitions over long-term

Consider: how to overcome bias towards “low-hanging fruit”

Plenary discussion:
The role of the agri-food sector in light of EU climate
objectives

- Considering the potential of different mitigation options and the synergies / trade-off with environmental objectives, which GHG emissions should the policy cover?
- What balance of incentives should the policy pursue between changing on-farm practices, changing the mitigation strategies of agri-food industries, or changing consumer behaviour?

Breakout sessions

- Under what conditions would this policy be effective in delivering the emission reductions and carbon removals needed for the agricultural sector to contribute to the EU-wide climate ambition?
- Should public bodies (e.g. at EU or national level) procure certificates?
- What considerations should be kept in mind in designing the procurement programme (e.g., dedicated purchase of units from specific categories of carbon farming activities)?

- Over-arching Question: Under what conditions would this policy be effective in delivering the emission reductions and carbon removals needed for the agricultural sector to contribute to the EU-wide climate ambition?
 - First sequence: design of an MCS and effectiveness
 - What do you perceive as important design considerations that will have implications for the effectiveness of these options?
 - What would be the most efficient way to reconcile reporting and accounting methodologies to minimise the administrative burden of compliance and generate the right incentives for farmers?
 - Second sequence: integrating credits into the MCS
 - Could this option be combined with public procurement?
 - Third sequence: benefits and drawbacks of an MCS
 - How effectively could an MCS deliver emission reductions and carbon removals compared with the other policy options?

- Under what conditions would this policy be effective in delivering the emission reductions and carbon removals needed for the agricultural sector to contribute to the EU-wide climate ambition?
- What (dis)advantages are there for an ETS when compared to the Mandatory Climate Standard?
- Could this option be combined with public procurement?
- How can a potential bias towards “low-hanging fruit” be avoided?

Lunchbreak – reconvening at 14:00

Purpose: promote a carbon farming procurement market at EU level

Demand generation

- Companies for addressing scope 3 emissions/engaging with their supply chain
- Option also a candidate to combine with other options, notably MCS

Fostering supply, through

- Competitive unit price
 - Price to be set at a level at least matching mitigation measure cost or higher
 - Price setting mechanism designed in a way that it does not put farmers under pressure to perform at lowest price
- Combination with a legally binding option

Principles

Science-based, high integrity, no double-counting, no greenwashing

Climate effects without harm to other aspects (environmental; yields / CL)

Simple system with low administrative burden

Design elements and vital considerations

- Regional difference and local conditions enabling different measures
- Centralised unit exchange system could help generate a level playing field EU-wide
- Focus on low-risk measures (e.g. agroforestry as contrasted to SOC management) when public funding is involved
- Issue of permanence and liability, potential role of a form of insurance (e.g. buffer funds) or of public intervention (compensation payments)
- Enhance climate resilience (farmers highly susceptible to adaptation impacts)
- Knowledge transfer to farmers and awareness raising
- Public sector could take a role in cushioning effects and creating equal circumstances (e.g. centralised platform, advisory and extension services, support for long-term permanence, buyer of last resort)

- Questions of approaches to data collection
- Time frame for data collection and speed of implementation
- Consider differentiation between sub-sectors
- Reconciling reporting and accounting:
- Consideration of other sustainability criteria?

- **Enablers**

- Investments in data quality by public sector
- Mandatory investments by downstream actors; need to finance investments in their own supply chain (how to do this?)
- Start with what is available: standards on quality of data could increase over time
- Long-term contracts; stable relationships between downstream actors and the farm
- Harmonisation of data collection tools
- Simplicity

1. Under what conditions would this policy be effective in delivering the emission reductions and carbon removals needed for the agricultural sector to contribute to the EU-wide climate ambition?

- Central to a good policy, not only an ETS, is more detailed and accurate MRV
 - Consideration to have a fund to pay for improved on-farm data
- De-minimis thresholds are important
 - Small vs large farms, especially at the beginning
 - Could excluding organic farms
- Effective price incentives
- Measures to prevent carbon leakage as that negatively affects the effectiveness of an ETS
 - Free allowances are an option may not always end up benefitting farmers
 - Use of ETS revenues to support the transition of farmers
 - Disadvantages for exporters have to be considered to make ETS politically viable
- Availability of mitigation measures, as ETS is a means to an end
- Changing dietary habits, with alternatives being available and made more desirable
- Volatility of ETS prices to consider, with a market stability reserve as potential solution
- Synergies with other measures (e.g., CAP, technology subsidies)

2.What (dis)advantages are there for an ETS when compared to the Mandatory Climate Standard?

3.Could this option be combined with public procurement?

4.How can a potential bias towards “low-hanging fruit” be avoided?

- ETS main advantages
 - Having an EU wide cap on emissions, allowing for the most cost-efficient outcomes
 - Generating revenues, with ETS revenues to be used for both farmers and consumers
- ETS main disadvantages: carbon leakage, although under an MCS this can also occur
- MCS main disadvantages:
 - Link with CRCF, so does not include methane from livestock (if limited to CRCF)
 - Could be complicated if no harmonisation on MRV
- Consideration for both downstream ETS and MCS – how much will be transferred from downstream entities to the farming sector
- Public procurement option could play a key role in incentivising removals; learnings from the Social Climate Fund
- General agreement on going for the most cost-effective mitigation option available, so a bias towards low-hanging fruits is not negative
 - However, important to incentivise reducing hard-to-abate emissions

Discussion inspired by the breakout sessions

Worksheets reminder

Please complete and send your worksheets to **agri-food-climate@trinomics.eu** by November 20th.

All responses will remain anonymous and will only be shared within the consortium.

Closing remarks (EC and Consortium)



Thank you for your attention!

agri-food-climate@trinomics.eu



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